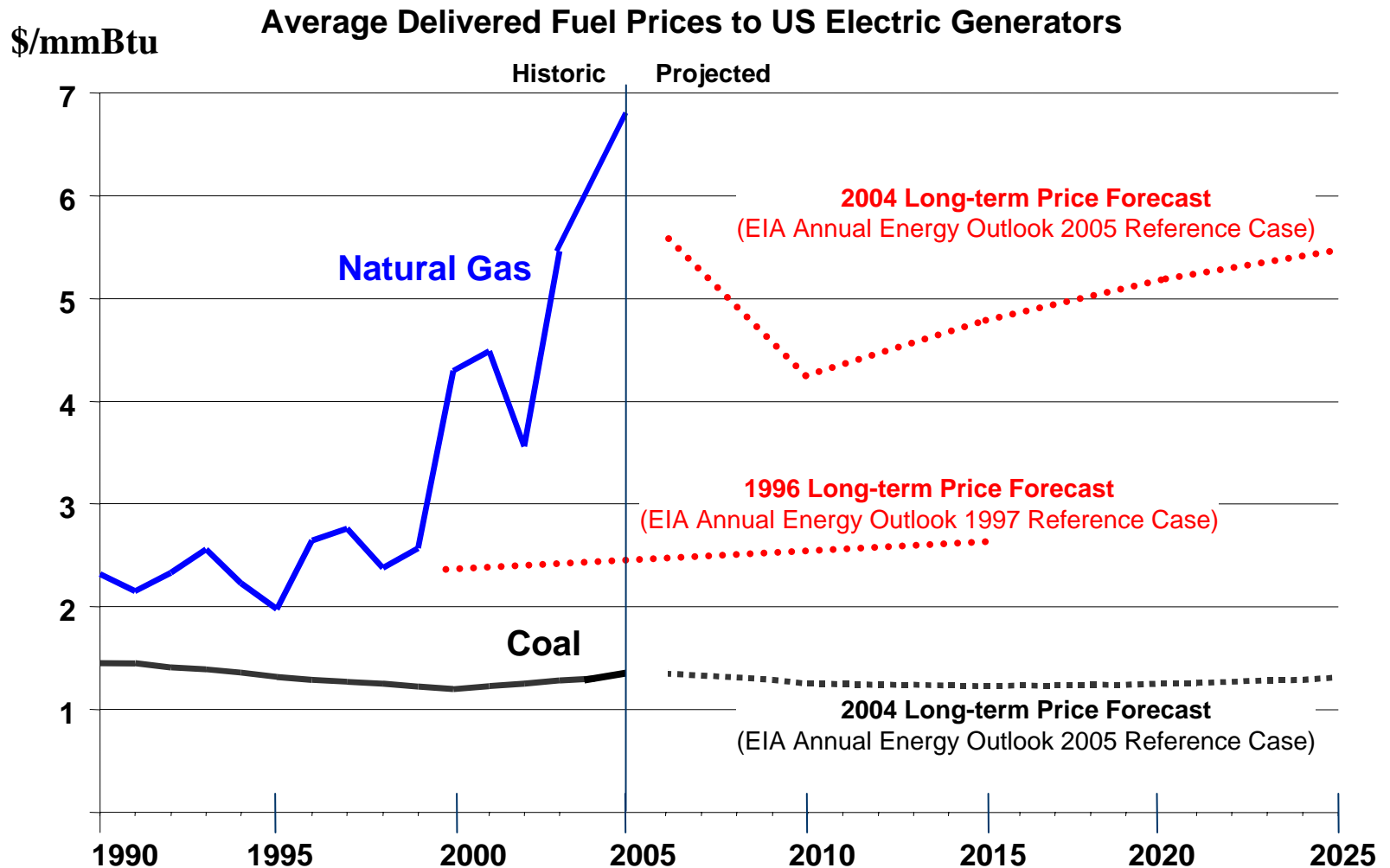


Energy Policy Act of 2005— Gasification Opportunities for the Western U.S.

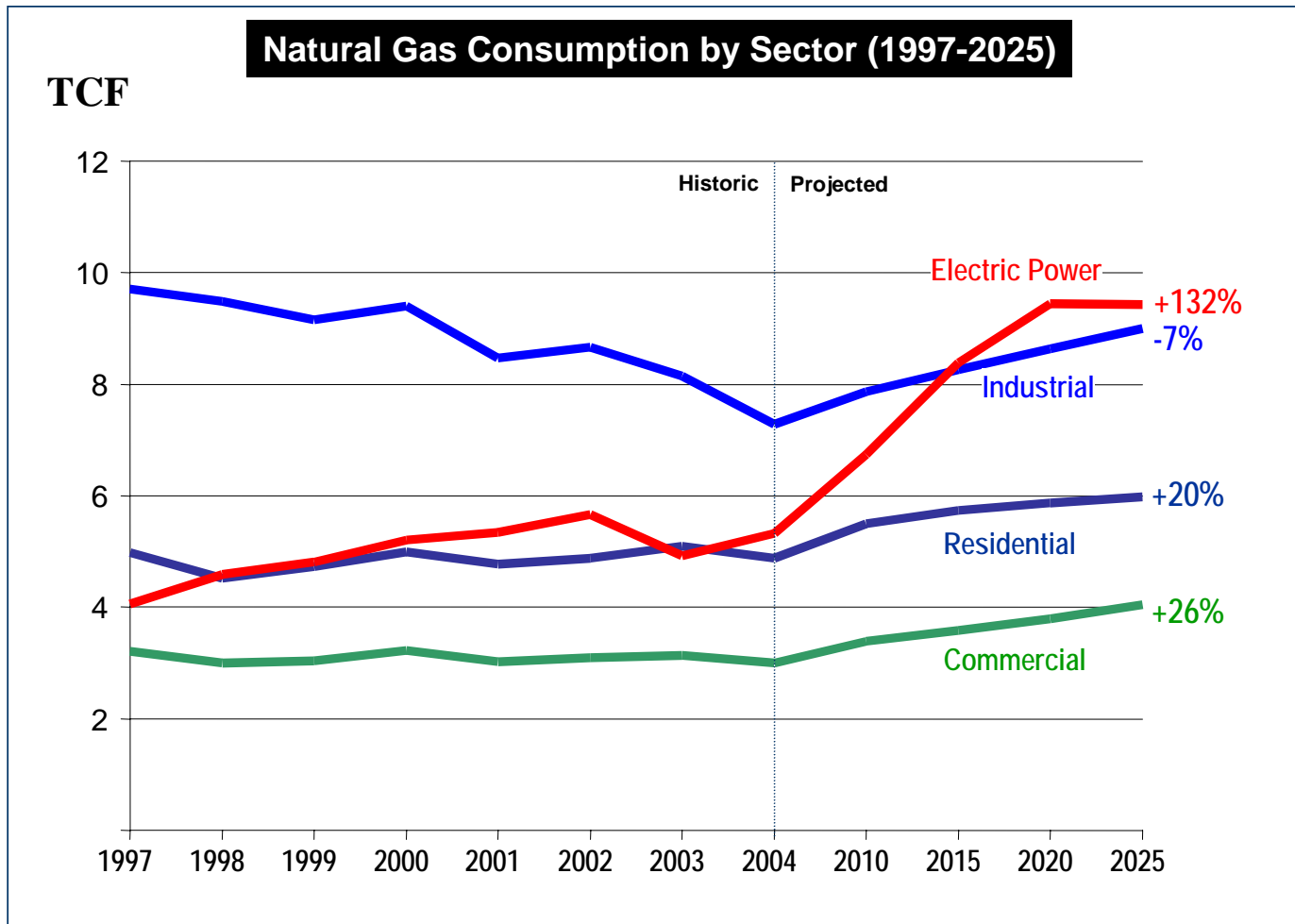
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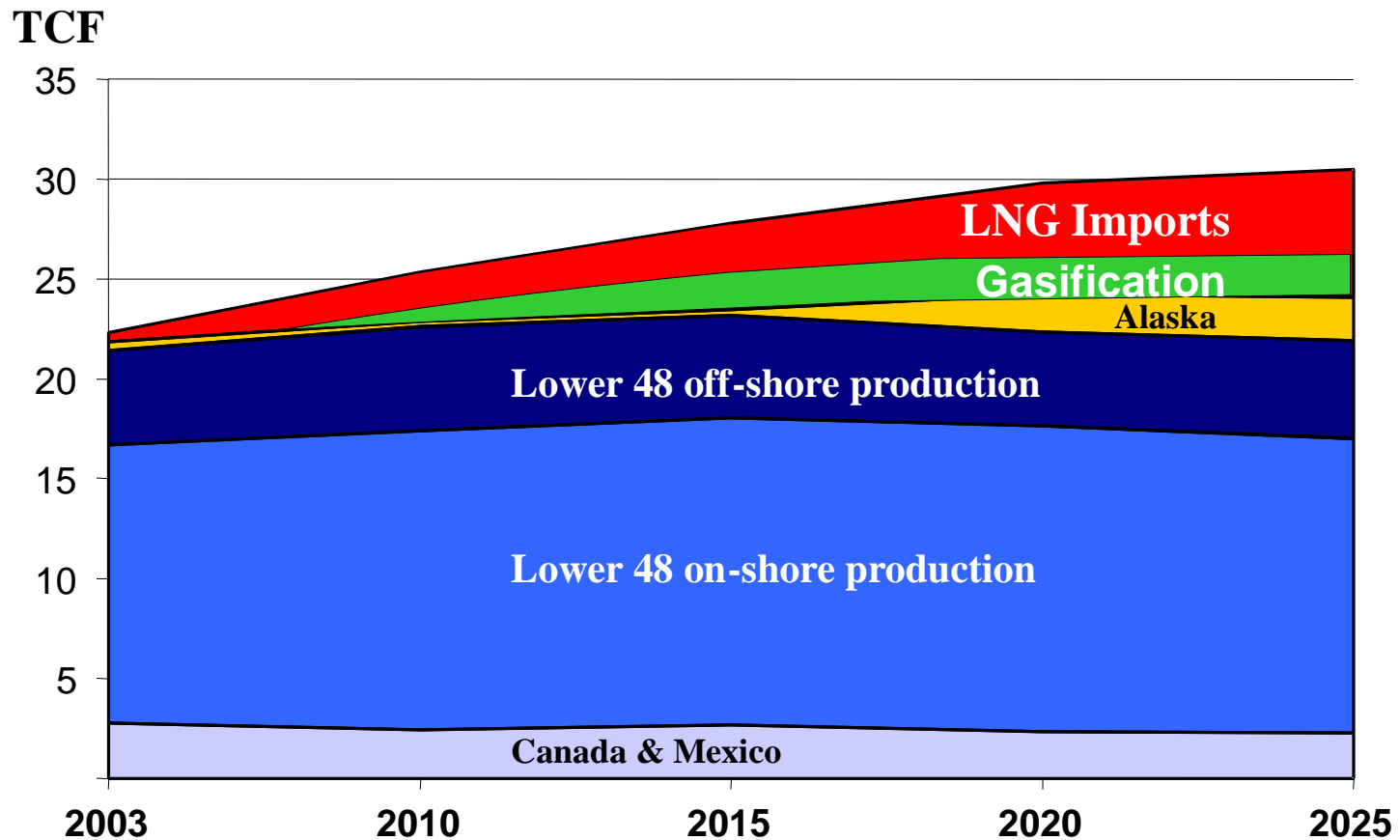
Natural Gas Prices



Electric Sector Driving Natural Gas Demand



Gasification—Domestic Supply Option

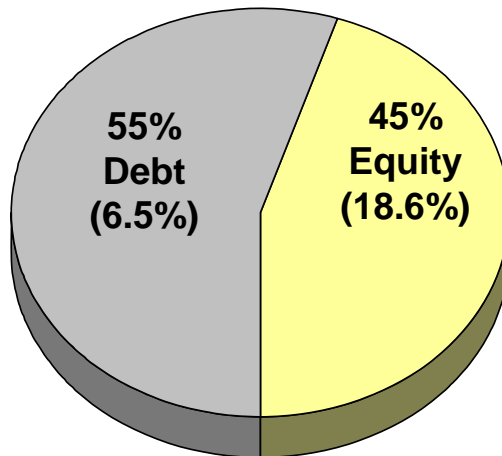


Energy Policy Act Gasification Incentives

Incentive	Title	Authorization
20% Investment Tax Credits	Title XIII	-- \$800 million for IGCC -- \$350 million for industrial gasification projects
80% Loan Guarantees	Title XVII	-- Authorized funding as needed -- Option for owner to pay budget scoring cost
Technology Demonstration Cost-share Grants	Title IV	-- \$1.26 billion for gasification in Clean Coal Power Initiative (CCPI) -- \$2.5 billion for gasification & advanced combustion in Clean Air Coal Program
Project-specific Incentives	Title IV	-- Grant for western coal demonstration project -- Loan guarantees for 5 petroleum coke projects -- Loan guarantees for 2 additional projects -- Direct loan for Alaska project

80% debt lowers cost of capital over 30%

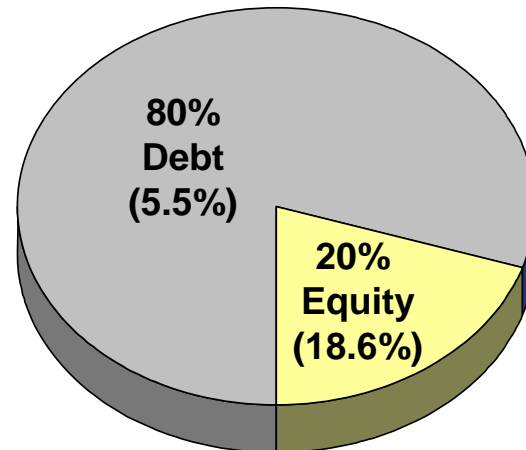
Traditional Utility Financing



Pre-tax weighted cost of capital:

11.9%

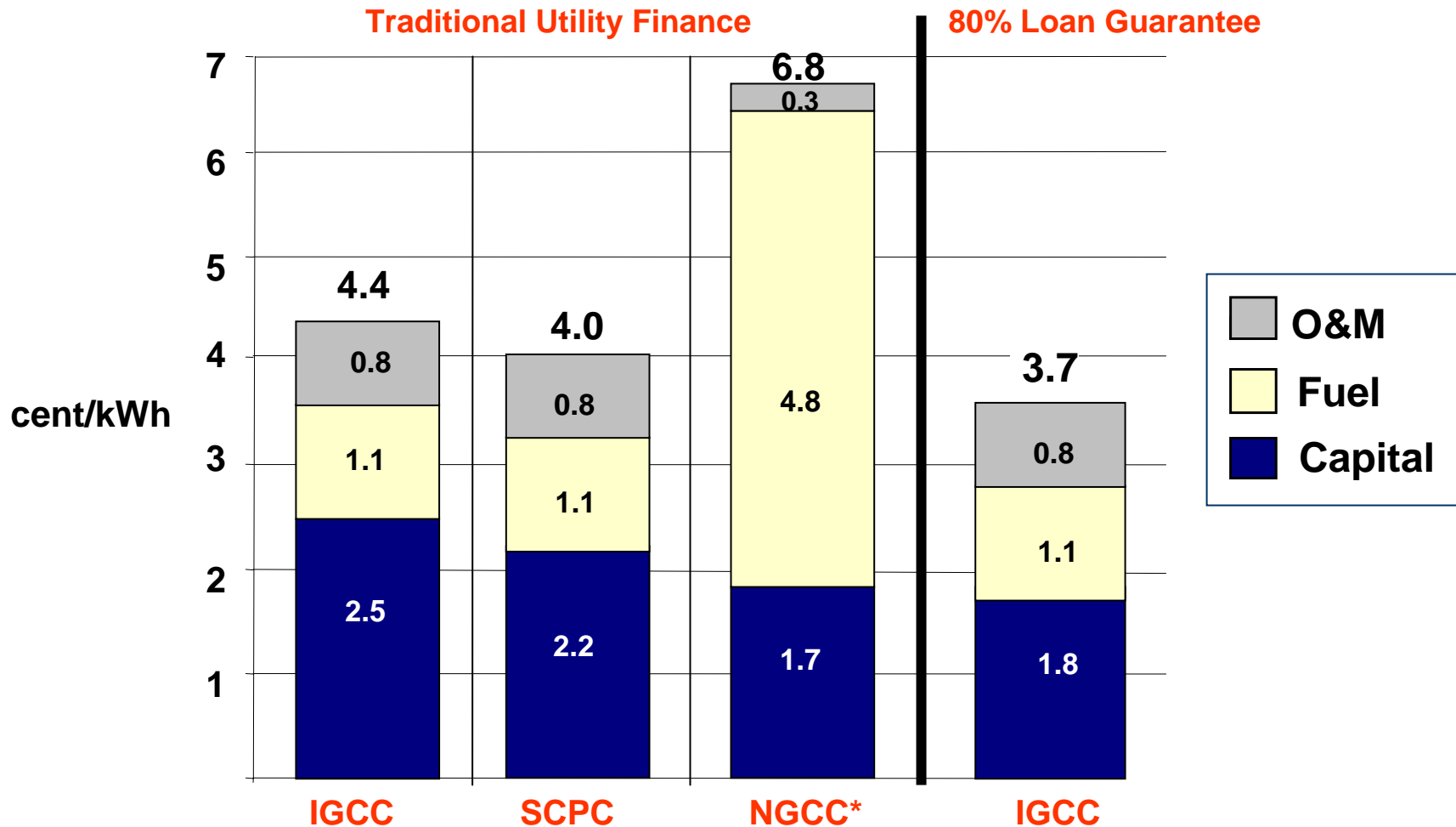
3Party Covenant



Pre-tax weighted cost of capital:

8.1%

New Plant Cost of Energy Comparison



* \$7.00/mmBtu natural gas, 40% capacity factor.

Incentives Implementation Critical

- **Departments need to act in timely manner**
 - Treasury - tax credits
 - DOE - loan guarantee & grants
- **Program development:**
 - Application & selection processes
 - Qualification criteria
 - Underwriting (for loan guarantees)
- **Appropriations for loan guarantee scoring & grant programs**
 - FY2007 budget

Western States' Support Essential

- **Implementation needs to be Administration priority**
 - **Staffing and budget**
 - **Timing of regulations**
- **Western states must get ready**
 - **Identification of Projects**
 - **Facilitate WGA clean energy goals**
 - **Implement required PUC supporting policies**
- **Early, active involvement in Washington important**

Lower fuel & electricity prices

